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The social construction of executive remuneration in the UK: Elite competition around codification and legitimation

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INVITED PAPER
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Elite competition around codification and legitimation

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Abstract

Purpose – The purpose of this paper is to reflect theoretically on a quarter-century of attempts to codify "best practice" standards related to oversight of and reporting on executive remuneration. Issues around the regulation of UK executive remuneration are analysed focussing on decision making by elite actors, informed by corporate governance codification artefacts and theoretical considerations inspired by notions of the social construction of reality.

Design/methodology/approach – Using documentary materials to trace evolution of executive remuneration regulation in the UK, consideration is given to the social antecedents of processes governing corporate board remuneration committee practices. The paper reconstructs the social construction of the UK Corporate Governance Code and draws on relevant theoretically inclined literature to help make sense of processes involved.

Findings – Shaping the problems, to be addressed as "legitimate problems", is core to efforts intended to create "persuasive narratives" around how UK executive remuneration should be regulated.

Research limitations/implications – The paper sketches an agenda for subsequent empirical "field" investigation to assess the social antecedents of UK executive remuneration outcomes.

Practical implications – Offering an alternative way of thinking about executive reward and on-going controversy as to how it may be legitimately regulated, informed by contextual considerations.

Originality/value – A novel look at executive remuneration from a social construction of reality perspective. Adding value to public debate on organisational effectiveness at a time of warnings from luminaries such as the Bank of England governor about the adverse social impact of "stateless companies" and calls for action against unfairness in income distribution.

Keywords Corporate governance, Executive remuneration, Social construction of reality

Paper type Conceptual paper

Introduction, epistemology and focus

The purpose of this paper is to invite attention to executive remuneration regulation framed in terms of the premise that organisations and their activities are socially constructed. It follows that, in turn, organisational decision making around executive remuneration is socially constructed. This offers a complementary strand of reasoning to mainstream econometric analysis (e.g. Barontini *et al.*, forthcoming; Geiler and Renneboog, 2016). One inspiration for the approach to the paper comes from Grint's (2005) foregrounding of agency by high-level organisational "decision-makers". The focus for analysis becomes the processes by which decision-makers competing for authority among other social elites to influence corporate governance outcomes "persuade followers, and perhaps themselves, that a certain kind of action is required" (Grint, 2005, p. 1469). The definition of "followers" for the purpose of this paper is widened to include representatives of corporate shareholders and state legislators representing "the public at large".

Since the 1967 Companies Act the remuneration of top executives has been a matter of public record (Main and Johnson, 1992). This legally mandated visibility means that, while there is a multiplicity of aspects to consider under the rubric of "corporate governance", the determination

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of executive remuneration offers a proxy indicator for facets of organisational management that historically have been less open to scrutiny across UK society.

Beginning in the late 1980s "growth in the level of top executive pay in certain UK companies attracted widespread public attention" (Main and Johnson, 1993, p. 351), including the "mechanism" by which remuneration is awarded to CEOs in particular. Attention that has been sustained and become ever more intense in public discourse until the present day. In particular, concern has been continuously expressed regarding the short-lived alignment, if any, between what people at the top of corporations get paid and the performance of the company (e.g. Jenkins, 2016). Peetz (2015, pp. 718-719) refers to "overlapping identities and supportive formal and informal institutions", as well as norms governing behaviour to help explain CEO "growth in real pay well above growth in productivity".

Following empirical analysis grounded in findings from privileged access to a sample of influential executive remuneration "agenda shapers" and decision-makers, Perkins and Hendry (2005) conclude that attention is needed to investigate the social antecedents of decisions by board remuneration committees (hereafter "remcos"), and the processes involving the non-executive directors (NEDs) who populate them. Over a decade earlier, Main and Johnson (1992) pointed to the need for analytical attention to the impact of what they term "social influence" on NEDs. Illustrating the point, these analysts found that NEDs appointed by a CEO are likely to argue for the award of remuneration enhancements materially above that of their peers whose appointment pre-dated the CEO. Without anything being stated explicitly NEDs feel a sense of "psychic debt" (Main *et al.*, 1992). A debt unconsciously paid when the NEDs are in a position to influence decision making as members of a board's remco.

Prompted by such commentary, this paper focusses on several theoretically oriented questions placed in a situated context. The context adopted here is the record of attempts over the past quarter-century or so to codify "UK best practice" corporate governance standards, paying particular attention to those aspects intended to scope the agenda for and processes related to oversight of and reporting on executive remuneration. What may be found when revisiting artefacts resulting from decision making designed to codify executive remuneration regulatory norms? Specifically, what may be inferred regarding the influence of socially embedded processes on ways in which decision-makers in the executive remuneration arena of corporate governance conceptualise problems? From the historically located traces left by corporate governance decision-makers exercising agency within contemporary "networks of power" (Castells, 2011) can one discern how a particular form of corporate governance reality, imbued with particular social values and priorities, has been constructed?

The epistemological roots of the line of reasoning taken in the paper may be traced back to the work of Berger and Luckman (1966) and, in turn, to Max Weber (1968 – English translation) in his *Economy and Society* treatise. Weber's project was grounded in an aversion to the idea that society is the inevitable product of historically transcendent structures. While society is an arena for competition between groups, the most fruitful focus for analysis is on the processes of social interaction observable in organisational settings under human-created governance standards. Outcomes may be understood if the analyst adopts an empathetic orientation towards what people do in practice. By placing themselves in the position of a social actor participating in everyday life theoretical reconstruction of historically located processes can reveal social actors behaving as they do "because of belief in authority, enforcement by staffs, a calculus of self-interest and a good dose of habit" (Roth, 1968, p. XXXV).

Given the proposed frame of reference for engaging with the issue under consideration in this paper, the next section contains a brief history of codified decision making intended to govern how executive remuneration outcomes are to be legitimated. This process has coalesced as an artefact currently forming a key part of a document titled the "UK Corporate

Governance Code", 2016, hereafter "the Code" (FRC, 2016a). In order to confront that version of social reality heuristically – to reconstruct the social construction of the Code – relevant theoretically inclined literature is then selectively reviewed. After which reflections are offered to guide an agenda for subsequent empirical investigation "in the field" to assess the social antecedents of executive remuneration outcomes. Proposed investigation contextualised by the way decision-making processes around executive remuneration in the UK have been codified as "best practice", albeit provisionally given on-going controversy and challenge. These considerations, in turn, may be of relevance in considering responses to the UK Government Green Paper out for public consultation at the time of writing.

Evolution of "the UK code"

Controversy around executive remuneration on both sides of the Atlantic attracted intense media hyperbole directed towards "toxic banker bonuses" in the wake of the 2008 financial crisis. Public scandal provoked steps to reform executive remuneration much earlier than that, however. Focussing on the UK in particular to situate discussion for the purpose of this paper, concerted efforts to "do something about top pay" and the corporate governance processes that surround it, may be traced back to a Committee of Inquiry that reported in 1992, chaired by a former leader of eponymous British FMCG company, Sir Adrian Cadbury. This is a useful starting point for examining the traces of corporate governance institution building processes: the social construction of regulatory norms for executive remuneration (among other factors not the focus of the present analysis). "Cadbury" was succeeded by a second "Study Group" chaired by what law firm Pincent Masons (undated) label another "City grandee", Sir Richard Greenbury, then Chairman of Marks & Spencer Pvt. Ltd. company, reporting in 1995. In turn, under the third in the series of "grandees", Sir Ronald Hampel, then ICI Chairman, further iteration of the regulatory framework was undertaken: the reports series migrated to a first version of the Code (Hampel, 1997).

Although tasked with reviewing current practice and proposing new standards of corporate governance with reference to financial performance reporting by businesses traded on the UK Stock Exchange, the Cadbury Committee gave special attention to executive remuneration. As he writes in the preface, Sir Adrian's sense is that it is directors' remuneration that has "kept corporate governance in the public eye" (Cadbury, 1992 – Preface, no page numbers). In the body of the report describing the Committee's provenance it is stated that concerns about the workings of the corporate system were heightened by […] criticisms of a lack of effective board accountability for such matters as directors' pay" (1992, p. 2, 2). Sir Adrian's tenor is none the less positive. While corporate scandals have brought about the need for his committee to be formed, he stresses perceived opportunities "to raise standards of which we should take full advantage" (Cadbury, 1992) It is noteworthy in passing that Sir Adrian's reference suggests that "we" – the "City grandee" class Pincent Masons (undated) refer to – are the ones to exercise agency. Their actions may be interpreted as defensive, however: against an implied threat that without effective self-regulation to secure legitimacy in the public realm the Government might be minded to legislate. Indeed Sir Adrian signs off his report's preface by acknowledging that a broader debate on corporate governance was expected to develop. Hence the committee under his chairmanship would remain in existence until a successor was appointed. In the opening paragraph of the main body of Sir Adrian's report there is an indication of resistance to the threat of legislation in the assertion that the boards of Britain's companies "must be free to drive their companies forward 'albeit within a framework of effective accountability' " (1992, p. 1, 1).

For the first time, and going beyond the duties of directors as specified at the time by Statute, expectations of "best practice" surrounding the governance of executive directors' appointment tenure, their total emoluments including explanation of performance-related remuneration elements, and who should determine these outcomes were codified in a public document. While the document was brief – the overall Code was contained in two pages, with a single three-item section devoted to matters for remcos – the stated expectation was that a continuing obligation for businesses that wished to appear on the list of UK Stock Exchange quoted companies would be to state whether or not they were complying with the Code and to give reasons for any non-compliance. The Stock Exchange would be the institution to enforce the requirement – in the same way as all other listing obligations.

In its recorded reflections, the Cadbury Committee (1992) were clear in the view that: "The basic system of corporate governance in Great Britain is sound [with] principles […] well known and widely followed" (p. 1.7). Thus there was not a general problem, according to the Committee's construction. But adoption of the Code would "strengthen trust in the corporate system" (1992, p. 1.6). On the other hand it was necessary to accept that "risk of fraudulent behaviour cannot be eliminated without shackling companies as to impede their ability to compete in the market place" (1992, p. 1.9). The Report was clear in the view of its members that administration of a voluntary corporate governance code "will prove more effective than a statutory code" (1992, p. 1.10). While reference to best practice implies that some companies may fall short, were legislation to follow incomplete adoption Cadbury warns that it would only provide minimum (rather than "best practice") standards. The message to legislators was that going down a statutory route would risk compliance only "with the letter rather than the spirit" of the Government's requirements (Cadbury, 1992).

Thus, the corporate elite appointed to advise on corporate governance, prompted by "public outrage" (Bebchuck and Freid, 2003) following a series of high profile scandals around corporate fraud, may be viewed as resisting any attempt by the British electorate's representatives to intervene. Cadbury was set up not by the UK Government but by the Stock Exchange, the Financial Reporting Council and "the accountancy profession". The locus of control was to remain with big business interests and their professional advisors.

Greenbury (1995, p. 7) revisiting the Code talked of unanimous agreement among "a group of leading investors and industrialists" on "a radical set of proposals" to be embodied in a new "best practice" code. Prompting this re-think, Greenbury (1995) says there had been concerns about executive remuneration increases that had occurred in parallel alongside reductions in other staff and/or pay restraint at that level, as well as price reviews. For the first time then in the evolution of the Code issues that point to social justice raise their head. Relatedly concerns had focussed on the amounts paid in compensation to directors when leaving employment from their firms, sparking "wider" concerns about accountability in decision making on remuneration for company directors "in industries which operate in a less competitive environment" (Greenbury, 1995, p. 10). While acknowledging the "mistakes and misjudgements" and potential conflict of interest faced by Boards of Directors when determining their own remuneration" (Greenbury, 1995) the Committee had been advised, the report states, by specialist consultants that remuneration for UK company directors was generally "within the range of European practice and well below American levels" (Greenbury, 1995). The report then raises the issue of corporate performance. An issue the Committee felt had "received too little attention in the public discussion" […] bearing in mind that this performance "depends to an important extent on the Directors and senior executives who lead them" (Greenbury, 1995). The Committee concluded as follows:

> The remuneration packages UK companies offer must, therefore, be sufficient to attract, retain and motivate Directors and managers of the highest quality (Greenbury, 1995).

Even so companies were told to "avoid paying more than is necessary for this purpose" (Greenbury, 1995, p. 16). And remcos "should be sensitive to the wider scene, including pay and conditions elsewhere in the company especially when determining annual salary increases" (Greenbury, 1995).

The solution, again expressly eschewing legislation "which would be at best unnecessary and at worst harmful" (Greenbury, 1995, p. 11), was to be in strengthening accountability, encouraging enhanced performance and transparency. Greenbury's (1995) Code update prescribed express delegation of executive remuneration determination to a group (in short, the remco) familiar with the company but had no financial interest in the remuneration decision-making processes they were involved in. It was concluded that "the key to enhanced performance by Directors lies in remuneration packages which:

- link rewards to performance by both company and individual; and
- align the interests of directors and shareholders in promoting the company's progress" (Greenbury, 1995, p. 11).

And long-term incentives, generally referred to as LTIPs, were those deemed most likely to align the interests of executives and shareholders (or agents and their principals in accordance with the tenets of agency theory specified in particular by Jensen and his various collaborators – albeit leading this economics authority towards something of a revisionist stance subsequently following fierce criticism of the consequences of the application of this approach, in encouraging inappropriate levels of risk taking (Jensen *et al.*, 2004).

Greenbury's (1993) report reflected a significant extension in coverage and detailed prescription; its code of best practice and associated "main action points" ran to some 40 pages compared with the two issued by Cadbury only two years earlier. For the first time issues around comparing directors' and other employees' pay (at least in terms of a rate of increase) were introduced, along with detailed provisions for long-term incentives including voting provision for shareholders, and also a requirement for annual reporting in detail on policy and outcomes of executive remuneration processes. A major development was stipulation that remcos should be the institution accountable independently for regulating executive remuneration.

It was on that last point, just two further years on, that the third in the trio of "City grandees" constructed something of an about turn:

> […] establishment of the broad framework of executive remuneration and its cost is in our view a matter for the full board, on the advice of the remuneration committee (Hampel, 1997, p. 36).

On other matters, in particular incentive awards, the Committee had "arrived at no general conclusion on the merits of the various elements of the remuneration package" (Hampel, 1997, p. 33). The resolution was for this to be a matter for remcos: to determine form mindful of the company's specific needs, and to be able to explain to shareholders. However, Hampel (1997) did express a reservation regarding Greenbury's (1995) advice to draw on benchmarking data – to avoid a ratchet effect, such data were to be used with caution. Also interestingly, there was a plea for communication of the specifics of executive remuneration and its performance alignment in terms the layperson could grasp. While on the one hand more and more was being required in disclosure terms, on the other hand "overly complicated" disclosures (Hampel, 1997, p. 34) could be an inhibitor to understanding on the part of those external to the company. And the Committee was clearly negative in respect of any obligation on companies to seek shareholder approval either for individual remuneration decisions or on the remco report overall. Hampel (1997) arrived at the conclusion that a permanent institutional structure was needed to oversee UK corporate governance, and the role passed from the series of ad hoc committees to a specific role incorporated into the duties and functions of the UK Financial Reporting Council. The "Combined Code" then appeared and has further evolved into the latest iteration now titled simply the "UK Corporate Governance Code (2016)". It has been further amended and significantly extended, not least as a result of unabated controversy surrounding executive remuneration with links to and subsequent on the 2008 financial crisis.

Investigation by a further "City grandee", this time by former Treasury and Bank of England Official, and City Regulator, Sir David Walker, reporting in 2009, explored among other things the impact of the alleged "toxic" bonus culture encouraging excessive risk taking in banking and finance on the part of what he termed "high end" employees (Walker, 2009). Some of the recommendations transferred automatically to the Code, as applicable to companies in other sectors. These included provision for a wider remit for remcos, to oversee remuneration not only for board members but other highly remunerated executives not on the board. And to provide for greater powers to claw back bonus payments in the event performance became apparent at a later date falling short of reported levels attained over the shorter term. Remco chairs were also subject to re-election if their committee's report received less than 75 per cent approval in shareholder votes.

By the time the Code was published in its latest form (April 2016), its broadening from codified administration of decision-making mechanics to embrace "culture, values and ethics" may be read as symbolising a more fundamental shift in nature of the corporate governance regulatory problem. A supplementary report by the Financial Reporting Council published in July 2016 sets out a series of "observations" under the title of "Corporate Culture and the Role of Boards" (FRC, 2016b). It also is explicit in the anticipated governance remit: not only are shareholder representatives expected to engage far more in assuring probity in the operation of and outcomes from corporate activity in which they have an interest. Accountability of business endeavour to society at large is also expressly to feature. In a direct challenge from a UK Government whose composition and stated priorities for corporate governance have altered since the Code's latest iteration was published, a "Green Paper" consultation launched in November 2016 contains rhetoric suggestive that legislators' longstanding willingness to accommodate self-regulation is waning.

Summing up at this point, the foregoing section traces highlights in the evolution of the architecture of UK corporate governance regulation documented over the past 25 years or so. Documentation shifting from a short report by an ad hoc committee responding to apparently rogue behaviour accounting for one or two high profile scandals, to one amounting to a Code of almost 40 pages. A Code overseen by a permanent city-based institution specifying the basis on which legitimacy or otherwise is to be conferred across the entire spread of Stock Market quoted companies. And with the latest proposed iteration of the Code seeking to extend coverage into business activity until now sheltered from public scrutiny under a "private equity" status (BEIS, 2016). Early iterations of the Code used the "attract, motivate and retain" trinity of principles often used in prescribing employee reward management generally. In codified practice against which companies are now to meet its "comply or explain trademark" (FRC, 2016a, p. 4), the Code has shifted ground completely to adopt as a "Main Principle" the design of executive remuneration in a manner that promotes the long-term success of the company (Perkins, 2015; FRC, 2016a).

Executive remuneration governance as a socio-political process

Evidence has been presented to illustrate attempts to codify and thereby secure legitimacy for steps to regulate executive remuneration within a UK corporate governance setting. This section of the paper reviews sources with heuristic potential to reconstruct the evolving body of corporate governance codification artefacts as traces of attempts by social actors, colourfully labelled "City grandees" (Pincent Masons, undated), to shape and legitimise processes to regulate UK executive remuneration decision making. Reflection on which may then inform an agenda for "field" research further to flesh out these theoretically inclined findings. In what follows, first, the dynamic context for action by groups competing for power to determine the UK corporate governance framework is conceptualised. Second, the nature and consequences of "problem" definition is briefly specified consistent with the paper's analytical focus.

Castells (2011) regards power relations as the fundamental basis of regulation in all societies, conferring dispositional advantage to determine the rules and values of social institutions that frame social interaction. Counter-power or resistance to domination is always present however and, following that reasoning, corporate governance debates may be situated within the dynamics of interaction between social elites (Bottomore, 1993). Competing interest streams (Teulings, 1986) or "power networks" (Castells, 2011) which, although broadly aligned around "free-market" economic activity in business systems such as the UK's, may have diverging interests at the "frontier of control" (Edwards, 1979) as to how their relative authority to construct corporate governance norms and processes is to be reproduced (Streeck, 2016).

Approaches to the codification and legitimation of UK corporate governance may thus be viewed as residing in competition between social elites in western-style "representative democracies" for a mandate to exercise power. In some cases one elite may imbue another with similar or even enhanced power to act on their behalf (Bottomore, 1993). An example of that phenomenon is when shareholders authorise a board of directors to manage a company. Theorising what may be observed, Nye (2004) characterises the process as one whereby authority is delegated among power network members to the sub-group which offers the most "compelling" narrative. This is based on an assumption that autonomy to act will be exercised "responsibly" (Friedman, 1990), i.e. to align the interests of one power network with another. Whether or not that mandate is extended in corporate governance settings may be viewed as a function of the extent to which company directors are able to persuade shareholders that their interests are being best served by the incumbent management. Under these circumstances, corporate control remains provisional, although company boards may secure "dispositional" advantage (Deetz, 1998) due to a capacity as incumbents to mobilise resources to construct "compelling narratives".

Further intra-elite group competition may be perceived, on the one hand, between those concerned with strategic and operational oversight of companies and, on the other hand, political administrations whose mandate is subject to the exercise of the popular franchise. Tensions arise where corporate leaderships attract "public outrage" (Bebchuck and Freid, 2003) that if left unchecked threatens representative democratic politicians' own tenure. In the case of the sustained perceived failings of corporate governance as this applies to executive remuneration decision making, media heightened criticism leads to calls for government intervention. If a government's popular mandate is potentially compromised by actions in the corporate sector – as in the case of the on-going controversy around executive remuneration decision-taking – the administration may deploy its particular dispositional advantage: to legislate. Intra-elite competition may arise centred on the degree of autonomy corporate leaders are to retain, to govern their activities free from "political interference". Express statements going back to Cadbury (1992), brought up to date in recent reported "watering down" of the 2016 Green Paper (Pickard and Gordon, 2016) are indicative of a spirited defence by corporate power networks against direct political incursions construed as a threat noted earlier to the "freedom to drive their companies forward". An additional layer of intra-elite competition may be seen in the oversight of corporate boards by investment fund managers, whose priorities in satisfying the beneficial shareholders, on whose behalf they invest diversified funds, may not traditionally be around exercising their scope to influence executive remuneration decision making.

Representative of much "practical" commentary on corporate governance, Deloitte (2013) posit managerial accountability as directly aligned with authority. As a solution to what the firm labels the problem of "management by memo": however clearly and forcefully principles and policies are articulated by corporate boards, for these to be implemented it is necessary "to see to it that people have the understanding, motivation, and means" to follow through in practice. Enacted corporate governance thus may be viewed as "legitimate authority" with which leadership is imbued (Grint, 2005), or a sophisticated dimension of power (Lukes, 1974) effectively shaping beliefs such that potential grievances are subdued.

Grint (2005) helps interpret the ways in which decision-makers who need to enforce the outcomes of decision-making processes act to retain their legitimacy (as decision-makers) within particular contexts. Rather than simply accepting the contexts as given, although needing continuously to renew their authority as decision-makers, these social actors use opportunities to construct the contexts themselves. Thus decision making is not simply contingent on situations to be governed: what Bachrach and Baratz (1962) termed "non-decision-making" may be taking place. In contrast to attempts to enforce authority by coercion ("hard power"), and where scope to offer incentives for compliance may be limited, Nye (2004) points to ways in which leaders adopt a strategy of "getting people to want what you want". He terms this "soft power". The task for decision-makers then is to construct a convincing story – such narratives may be positioned analytically as core processes of enacting power. As Grint (2005, p. 1475) expresses it:

> In short, the social construction of the problem legitimizes deployment of a particular form of authority.

Rittel and Webber (1973) offer complementary ways of categorising the constitution of problems, a typology that can be used to help sift through the evidence manifested in how corporate governance "best practice" standards have evolved as a form of social reality construction. On the one hand there are "tame" problems and, on the other hand, "nasty" (or "wicked") problems. Tame problems when encountered in organisations while being potentially complex are amenable to the application of "administrative" processes in Hopwood's (1974) typology of managerial control. There is a "right answer" that can be applied to achieve a solution, in the way a formula can be used to balance a mathematical equation. Problems can be clearly stated and interventions to address them can be presented and enacted parsimoniously with a finite set of "moves" towards an end-game as in the case of actions for deploying chess pieces. Such problems can be codified in ways consistent for example with the binary rules of computing. Situating the argument into the context of a corporate elite competing to sustain autonomy in executive remuneration decision making, premised on demonstrating compliance with or a legitimate explanation for divergence from the norm (Cadbury, 1992), the actors will be disposed to use dispositional advantage to construct their "compelling narrative". One intended to win acceptance for the legitimacy of standards and processes reducible to the administrative management of "tamely" specified corporate governance problems.

Despite such intentions, however, if the trajectory of controversy surrounding executive remuneration decision making places it into "nasty problem" territory, as evidence suggests it has, a re-think is needed to avoid loss of the provisional authority vested in representatives of corporate elites designated with the task of tackling socially deviant outcomes. Here bounding problems and attendant "legitimate" processes to address them become more problematic. Against the threat of legislative interventions by political elites, the focus on the part of corporate governance architects may shift to attempts at greater sophistication in setting the codification agenda and imbuing it with features that seek to normalise its characteristics in the public psyche. And indeed in the ways elite groups persuade themselves of the rightness of the standards designated "best practice". In practice, as witnessed by unabated and highly public criticism of the distribution of rewards from economic enterprise, with proposals to introduce for example a requirement on companies to publish ratios comparing remuneration at top and bottom of the corporate hierarchy, the "nastiness" of problems appears unresponsive to tamely codified mechanisms.

A nasty problem in Rittel and Webber's (1973) conceptualisation is not easy to specify definitively. Quite the reverse, there may be a distinctive lack of consensus around what "the problem" really is. In the executive remuneration debates elite power networks vying for capacity to regulate problem and solution framing have only recently manoeuvred around a suggestion by the current UK prime minister that employee groups should be represented among the decision-takers on corporate boards whose functions include those of the remco. Again reports suggest that resistance to the proposal among corporate elites has resulted in the proposal being set aside (e.g. Jenkins, 2016), but the potential threat by legislators is nonetheless indicative of the provisional nature of agenda control in the hands of UK corporate elites, as earlier variants of the Code have fallen short in the outcomes from their enactment.

Adding further complexity, "nasty" problems are surrounded by controversy as to why the problem exists in the form it does, thus making legitimation of a compelling narrative to specify its potential resolution elusive. In turn undermining uncontested renewal of corporate elites' warrant to retain autonomous-regulatory control over social construction of processes around executive remuneration decision making. Not only do "nasty" problems lack consensus around definition, and "administrative" rules for processes leading to an agreed end point. They are also open to claims that the problem in question is merely symptomatic of another equally controversial problem. Solution options under the Rittel and Webber (1973) typology are inherently political – rather than administrative or managerial: corporate governance actions to address them, then, are "better" or "worse" rather than "true" or "false". And hence subject to perpetual discord between competing elite interest groups. In turn surfacing resistance to extant dispositional authority to construct a situated social reality.

Competing for UK executive remuneration governance decision-making authority: reflections and an agenda for "field" research

In December 2016, an influential business commentator, writing in the *Financial Times*, catalogued ways in which, he says in 30 years writing about executive remuneration, business executives offer "excuses" for trends in what and how they are remunerated that have come under serious criticism. They will he predicts continue trying to "thwart reform", as "they have been doing […] for decades" as their pay "has been soaring" (Skapinker, 2016). However, the "nasty" nature of the problem may in turn thwart such efforts as power network alliances shift in ways that heighten the provisional nature of the capacity of corporate elites to shape it in ways amenable to self-regulatory "administrative solutions". In the same newspaper, it is reported that members of the UK Government's business and industrial strategy Select Committee heard admissions by board members of two of the UK's biggest companies (Rio Tinto and WPP) that they agreed there had been a break down of trust between big business and society. At the same hearing, the head of the EMEA Investment Stewardship team of BlackRock the world's largest institutional investor, informed MPs that her firm intended to vote against the Chairs of remcos at FTSE 350 listed companies if they "fail to rein in outsized pay packages for their top executives" (Burgess, 2016); particularly in cases where BlackRock perceive disconnection between executive pay and performance. BlackRock's Amra Balic was quoted as saying that investors need to be more proactive in holding companies to account in remuneration decision making.

Taking such developments into account, the trajectory of interactions between contemporary social elites in respect of executive remuneration decision making, evidenced in evolving corporate governance artefacts may be perceived as reflecting the ebb and flow of what Castells (2011) refers to as "network making" power. Of which there are two dimensions ability: to form the networks and to programme and reprogramme the networks in ways that the automated operation of the networks favours the programmers.

In reflecting on the trajectory of the Code as a function of interaction between competing social elites and the effects of elusive problem construction capacity, a first definitive step may be seen in the acceptance by Cadbury and his successors of a requirement to codify processes for executive remuneration decision-taking. In other words, embracing recognition that there was a problem needing to be addressed. But corporate elites had a solution, with the solution construction task being assigned to the City grandee class – one that was to be perceived as a positive opportunity for the application of agency by corporate elites. And although it was acknowledged that the debate would likely continue, the message was clear: political elites should back off from any attempt to intervene directly. The problem was amenable to an administrative solution – codifying best practice would "strengthen trust in the corporate system", i.e. the status quo and thereby network making power in the hands of corporate elites. As it expanded in coverage, successive architects of the Code still held to the self-regulatory "comply or explain" founding principle. Risks were inherent in the functioning of competitive economic markets, but investors were to be reassured that specialists on the whole could be relied on to serve their requirements as arms-length principals. Modification of the Code was restricted to a technical reiteration of the problem: incentive metrics, the balance of decision-making power within corporate boards themselves, and ever-expanding accounting detail communicating compliance. But the evidence showed little if any "compelling narrative" around impact on the upward ratchet of remuneration levels or alignment of remuneration and sustainable performance.

In practice, subsequent evolution of the Code and debates around its construction indicate that the problem of executive remuneration decision-making has not been so easily tamed. Its "nastiness" – underpinned by a continuing flood of adverse headlines in a time of political-economic turbulence – has meant that not only do corporate elites appear to be struggling to retain their power network programming capacity in the face of challenge by senior political elites, also erstwhile allied (or somewhat disinterested) elites in the institutional investment community are breaking media silence, and developing a narrative to retain their own legitimacy at a time when political rhetoric appears to be in a direction of more "neo-pluralist" principles (Ackers, 2002). In turn, diversifying power networks (Castells, 2011) for programming the social construction of institutions so as to restore political order under challenge due to widening economic differentials between "the few" and "the rest". Rhetoric among mainstream politicians appears to be diluting the 30-year neo-liberal consensus with its failure to deliver the promised economic "trickle down" benefits (Streeck, 2016). Accompanied by a stated willingness among leading investment fund managers to perform a more active role in disciplining executive elites, in accordance with a proposed strengthened government-led mandate to do so.

Consistent with the epistemological orientation of the paper, future "field-based" empirical research will benefit from listening to voices at the frontier of interaction between relevant power networks. In particular to those representative of corporate elites, such as large company chairs whose accountability is "managing the board", and senior level representatives in the institutional investment community talking about their interpretations of the latest phase in the evolution of UK executive remuneration problem formulation and possible decision-making processes to address it. In what ways would they construct an agenda in their own words to address "legitimate grievances"? And what may constitute compelling narratives to address them? Can one identify any – or no – shift in unprompted articulation of the issues? What is the perception of external regulation in its current form and of questions that have been raised for further review and possible adaptation of the Code? What about key actor roles – the NEDs in particular and their preparedness for the roles the Code allocates to them? In what ways may it be possible to identify from the descriptions underlying value sets leading to the ways aspects of the problem are being framed and prioritised? What social values and socialisation effects may be discernible? What is the nature of dialogue taking place at the frontier of control, whether between executive managers and NEDs or between boards and investment fund managers? Such data in the words of key actors themselves may be applied to discern possible themes informing understanding of the social construction of executive remuneration against norms and values implicit in the ways decision-makers develop and apply narratives – including possible indicators of further shifts in networks of power between the interest streams in the territory of wicked problems in executive remuneration determination.

To conclude, the situation is dynamic. In its latest iteration, the Code (2016, p. 5) states that this principal corporate governance artefact:

> […] has been enduring, but it is not immutable. Its fitness for purpose in a permanently changing economic and social business environment requires its evaluation at appropriate intervals.

Acknowledgement of a permanently changing environment – and express reference to its social situation – suggests that ideas confidently expressed over more than 25 years by those representing UK corporate elites on "best practice" to overcome problems in corporate governance, especially inflamed by the experience of executives apparently perpetually "in search of excess" (Crystal, 1991), have not to date constituted a sufficiently compelling narrative. The politics of power network competition around the social construction of executive remuneration decision-making deserves continuing attention by corporate governance analysts. Given signs of a public appetite for change, the research agenda offers a timely contribution to inform action directed at both economic and moral phenomena under the organizational effectiveness rubric.

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